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January 4, 2011

**VIA ECFS**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 - 12th Street, SW  
Washington, DC 20554

Re: *Ex Parte* Communication – CC Docket No. 96-45, WC Docket No. 03-109

Dear Ms. Dortch:

Over the past several weeks, executives from Emerios, a division of VMBC Corporation, met with Wireline Competition Bureau (“WCB”) Chief Sharon Gillett and various staff members of the WCB to discuss the services offered by Emerios as an independent, third-party provider of eligibility and verification functions to eligible telecommunications carriers (“ETCs”) participating in the federal Lifeline universal service program.<sup>1</sup> During those meetings, Emerios communicated its belief that the most effective means to reduce waste, fraud and abuse within this valuable program is by enabling ETCs to verify the requirement of one-benefit-per-household among all ETCs, thus preventing program beneficiaries from “double dipping.” Emerios discussed the feasibility of developing and administering a national database that would allow ETCs to easily automate procedures which would eliminate the problem of duplicate benefits. Emerios suggested that such a database would best be implemented in several steps as described (with the benefits to be achieved) in detail below.

The implementation roadmap Emerios recommends is designed to achieve the greatest benefit without unduly burdening either ETCs or state agencies, while ensuring the security and privacy of consumer data. The roadmap Emerios proposes has two phases. Phase I, labeled “Single Benefit Pre-Qualification,” would enable ETCs to verify the single household benefit requirement for Lifeline services. Phase I could be rapidly implemented. Phase II,

<sup>1</sup> Emerios’ focus is to automate and improve business processes such as complex verification and enrollment services with the effective application of people, processes, and technology to achieve superior end results for its customers.

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labeled “Automated Program Benefit Qualification and Verification,” could be implemented as state agencies’ abilities enable implementation. Implementation of Phase II would be optional for states that have database information available for online verification of program participation for eligibility qualification and annual verification purposes.

**I. Phase I – Single Benefit Qualification**

As noted above, Phase I, which would address the immediate need to reduce waste, fraud and abuse of the current Lifeline program through implementation of a simple, carrier-neutral process by all ETCs, could occur expeditiously and at moderate cost. The steps to Phase I implementation are detailed below.

**A. Phase I Implementation Steps**

In the first stage of Phase I, Emerios’ proven methodologies would be leveraged to create a secure, independent centralized database system in which all ETCs would interact. A centralized database offers numerous benefits over individual state databases for the purpose of preventing double-dipping of benefits. First, the cost would be dramatically lower, as the incremental cost of a larger single database would be much less than the cost of multiple smaller state databases. Second, the speed and ease of roll-out would be much greater, since ETCs would only need to interface with one database, and the physical infrastructure, connections and all related components would be limited to a single location with a hot redundant back-up. Third, the security risk would be much less since ETCs would be required to link up with fewer interfaces, thereby mitigating opportunities for a security breach.

In the next stage of Phase I implementation, the centralized database would be populated by ETCs. To achieve the greatest benefit in the shortest timeframe, while not overly burdening the smaller, less technically adept ETCs, the Commission could require that larger ETCs transfer their data and integrate within the system within a shorter timeframe.<sup>2</sup> The major benefit of having a more rapid fixed deadline for the major carriers is that the benefits to the Lifeline Fund would be more immediate.<sup>3</sup>

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<sup>2</sup> It may also be beneficial to provide an additional inducement to encourage rapid implementation.

<sup>3</sup> Some smaller ETCs may not have the immediate ability to implement the proposed plan. Emerios believes that it would be appropriate to allow these ETCs more time to implement, as the major benefits to the Fund will result from the participation of the major ETCs. Later implementation by smaller ETCs in the rare instance where triple benefits exist would require a second communication for the beneficiary to choose a service provider. However, this additional burden would be far outweighed by the

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Once the centralized database is populated and all dual benefit households are identified, Emerios would perform a Commission-sanctioned conversion process to notify current Lifeline households of the duplicate benefit being received and Emerios would manage the conversion process to the head-of-household's preferred ETC. During the conversion process, all duplicate households would be provided a carrier-neutral notification with a list of all their current Lifeline service providers, each program's specifics for each of the services they receive, and the process for choosing which service to receive in the future, including the timeframes for cut-off of their multiple Lifeline services. Emerios, as the carrier-neutral third party administrator, would receive the Lifeline beneficiary's choice selection, and notify the respective ETCs of the beneficiary's choice.

This implementation roadmap is designed so that once each major ETC's customer data has been loaded and standardized into the centralized database, the system would enable a process for prevention of new double benefit situations. Specifically, the system would permit ETCs to dip into the database through a live interaction while the applicant is either on the phone, in person, or online to determine whether a new application is for a household in which a benefit is already being received. A process which ensures that an applicant is not "slammed" into a new service without understanding the change could be defined by the Commission to be followed by ETCs should a real-time database dip reveal that a household is already receiving a benefit.

## **B. Phase I Benefits, Budgeting and Planning**

The initial benefit to the federal Lifeline Fund through implementation of Phase I could be calculated as follows:

Number of dual benefits eliminated multiplied by the monthly benefit multiplied by the months of benefit minus the cost of implementation.

While precise initial savings from implementation of Phase I are not known at this time,<sup>4</sup> some simple broad-range calculations show why this is an important area for the

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benefits to the Fund from the rapid implementation which covers the majority of benefit recipients.

<sup>4</sup> An estimate of the total number of dual benefit households could be determined at minimal cost by the Commission through analysis of the largest three or four ETCs' databases.

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Commission to focus on. For example, if one assumes that 400,000 households are receiving dual benefits<sup>5</sup> and that they would receive those dual benefits for another 8 months at \$10/month without the implementation of a centralized database to prevent double-dipping, implementation of the Phase I centralized database would result in \$32,000,000 in initial savings prior to program implementation expenses. If one instead assumes that 1,200,000 households are receiving dual benefits<sup>6</sup> and that they would receive those dual benefits for another 12 months at \$10/month without the implementation of a centralized database, implementation of the Phase I database would result in \$144,000,000 in initial savings prior to program implementation expenses. The same formula could be utilized to estimate ongoing savings from implementation of a centralized database.<sup>7</sup>

The budget and planning costs for Emerios to deliver Phase I are estimated to be approximately \$7.5 - \$10 million, excluding the costs to communicate to consumers, which will vary depending on the level of web automation that is implemented, IVR utilization, and the number of dual benefit households. The ongoing fee to administer the centralized database would be volume based and is estimated to be less than \$1 per application excluding any consumer communication costs. Various options exist for covering the costs of Phase I, including funding through the federal Universal Service Fund, funding by ETCs, or a hybrid approach, and each option should be considered. The estimated time for implementation of Phase I is approximately six months from approval.

## **II. Optional Phase II**

Phase II, labeled “Automated Program Benefit Qualification and Verification,” is recommended to be optional for implementation by states that have the database information available for online verification of program participation for eligibility qualification and annual verification purposes. As currently contemplated, Phase II would permit each state to continue to determine its own Lifeline and Link-Up eligibility requirements. States such as Florida, which has incorporated a high level of automation, would continue to operate as it does today. Likewise, states that utilize the self-enrollment process could maintain that process. However, given that all ETCs would now be aggregated into a single centralized database as a result of the

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<sup>5</sup> 400,000 households represents approximately 5% of current federal Lifeline recipients.

<sup>6</sup> 1,200,000 households represents approximately 15% of current federal Lifeline recipients.

<sup>7</sup> Number of dual benefits prevented multiplied by the monthly benefit multiplied by the months of benefit minus the cost of maintaining.

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completion of Phase I, states would have the incentive to invest in a greater degree of automation since it would no longer be necessary for states to incur the cost of integration with each ETC.

Phase II could reduce the burden on ETCs by providing a low-cost automated solution for those states that want to participate. Not only would this reduce the cost of enrollment for ETCs, it could be used for the annual verification process. ETCs could dip into the database to confirm consumers' continued Lifeline eligibility rather than having to reach out to individual consumers. This would increase effectiveness and help ensure that those consumers who are eligible for Lifeline service continue to benefit from the service.

### **III. Conclusion**

Emerios believes that Phase I of the neutral third-party solution it has proposed would quickly reduce the fraud, waste and abuse currently being experienced in the federal Lifeline program to a significant degree. It would improve the program's cost effectiveness and would foster greater efficiency and outreach by ETCs. Emerios believes that a phased approach also would benefit the states. The states would not be required to change their current processes by federal mandate. However, Emerios' plan would reduce the cost of state automation procedures, thereby providing the states with the incentive to automate their enrollment, certification, and annual verification processes as expeditiously as feasible. Finally, Emerios believes that its approach provides the necessary building blocks for a national database and technology platform to administer a future federal broadband Lifeline program.

Emerios looks forward to participating in the Commission's soon-to-be-released Notice of Proposed Rulemaking ("NPRM") proceeding responding to the Federal-State Joint Board's recent recommendations and encourages the initiation of a dialog regarding its centralized database proposal.

Respectfully submitted,



Genevieve Morelli  
*Counsel to Emerios*

cc: Sharon Gillett  
Patrick Halley  
Beth McCarthy  
Kim Scardino  
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